

**THE OFFICE OF REGULATORY STAFF**

**REHEARING TESTIMONY**

**OF**

**DR. DOUGLAS H. CARLISLE**

**NOVEMBER 16, 2017**



**DOCKET NO. 2014-346-WS**

**Daufuskie Island Utility Company, Incorporated for  
Approval of an Increase for Water and Sewer Rates  
Terms and Conditions**

**REHEARING TESTIMONY OF**

**DOUGLAS H. CARLISLE**

**ON BEHALF OF**

**THE SOUTH CAROLINA OFFICE OF REGULATORY STAFF**

**DOCKET NO. 2014-346-WS**

**IN RE: APPLICATION OF DAUFUSKIE ISLAND UTILITY COMPANY,  
INCORPORATED FOR APPROVAL OF AN INCREASE FOR WATER AND  
SEWER RATES, TERMS AND CONDITIONS**

**Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND OCCUPATION.**

**A.** My name is Douglas H. Carlisle. My business address is 1401 Main Street, Suite 900, Columbia, South Carolina 29201. I am employed by the State of South Carolina as an Economist at the South Carolina Office of Regulatory Staff (“ORS”).

**Q. PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.**

**A.** I received a Bachelor of Arts from Brown University, a Master’s Degree in Public Administration and a Ph.D. in Government and International Relations from the University of Virginia. I am a Certified Rate of Return Analyst and a board member of the Society of Utility Regulatory Financial Analysts. I have previously testified before the Public Service Commission of South Carolina (“Commission”) concerning return on equity (“ROE”).

**Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS REHEARING PROCEEDING?**

**A.** The purpose of my rehearing testimony is to adopt my direct testimony and exhibits filed on October 2, 2015 and to adopt my testimony provided to the Commission on

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October 28, 2015. I reaffirm my capital structure recommendation of 46% Long-term Debt and 54% Equity. In addition, I reaffirm my ROE range of 8.91% to 9.71%. The high end of my range was based upon my Discounted Cash Flow analysis and the low end is based upon my Comparable Earnings Model analysis. My Capital Assets Pricing Model analysis produced a ROE of 9.30%, very close to the mid-point of the other two results. As noted in my direct testimony, ROE analysis necessarily involves comparisons between the Daufuskie Island Utility Company, Inc. ("DIUC") and publicly traded companies.

**Q. HAVE YOU PERFORMED AN UPDATED ROE ANALYSIS FOR THE PURPOSE OF THIS REHEARING?**

**A.** No. I did not perform further analysis because the South Carolina Supreme Court did not provide guidance in its Opinion No. 27729 related to ROE and DIUC did not introduce evidence related to ROE in its rehearing testimony and exhibits of witnesses John Guastella and Gary White. In addition, the rehearing proceeding schedule did not allow sufficient time for me to adequately update the application of my ROE methods.

**Q. DOES THIS CONCLUDE YOUR REHEARING TESTIMONY?**

**A.** Yes, it does.